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Murray Wise ASSOCIATES LLC

IN THIS ISSUE

THE WISE AG UPDATE

Your source for farmland & agribusiness transaction news by ***Murray Wise Associates LLC***

COMMENTARY: FARMLAND MARKET CONTINUES TO SHOW STRENGTH

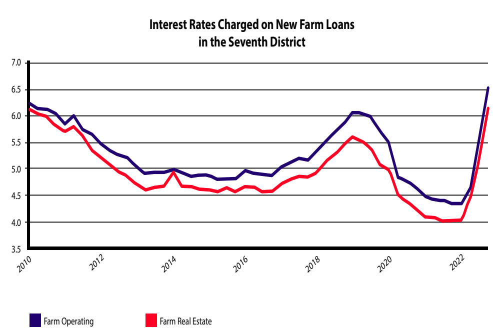
BY ERIC SARFF

Demand for farmland at the end of 2021 was at a fever pitch and the number of buyers in the market far outweighed the number of available farms in nearly every region. Coming into 2022 many predicted that we would continue to see strong demand for the farmland asset class, but there were still a lot of variables that could have altered the upward trajectory we were on and changed the outlook. Now that we are nearly through 2022 and looking back, some of those above-mentioned variables changed, but so far the demand for land remains strong.

A recently released survey by the Illinois Society of Professional Farm Managers and Rural Appraisers showed an 18% increase in Illinois farmland values from a year ago. The majority of those surveyed feel that we have hit a plateau moving forward, however. In Iowa we have seen similar increases. In late March, the Iowa Chapter of the Realtors Land Institute released a survey showing a 14.1% statewide increase in farmland values, from September 2021 to March 2022. This survey was recently updated to include March to September 2022, with the results being an additional 2.8%, giving a year to year increase of 16.9% across the state.

The topics that have been dominating the farmland values discussion are inflation, interest rates and commodity prices. Farmland has always been a preferred inflation hedge by investors due to the fact that both commodity prices and land values get pulled up in times of inflation. We've discussed this numerous times in previous Wise Ag Update editions. This fact has continued to hold true as we have seen investors flock to the asset class over the last few years.

Interest rates and inflation go hand in hand, and the Federal Reserve has now had seven rate increases in 2022 in an effort to curb inflation. The most recent inflation report released in early November indicates a possible slowing rate, but inflationary pressures remain high across many sectors. From what I have read, many analysts predict additional rate increases in 2023. This directly affects borrowers looking to purchase farmland. I have recently heard



Source: Federal Reserve Bank of Chicago

Continued on Pg. 2 (Farmland Markets)

Farmland Market (cont. from pg. 1)

quotes for farm loans north of 8% (30-year fixed). Those same terms would have likely had a rate of 5%, or possibly less, a year ago.

Rising interest rates have not had as much of an effect on land prices as one may think, as many buyers are using cash or tapping into built up equity in existing land, but it's still a factor that will influence some buyers and if rates keep increasing I feel it will likely affect more buyers. On the positive side, commodity prices have remained strong throughout the year and have given growers a number opportunities to have a profitable year this year. In my opinion, if commodity prices remain strong, demand for farmland will persist as well. It will allow farmers to be both aggressive buyers of farmland, and also pay the types of rents that most investors are seeking.

Moving into 2023, I think we have a few more headwinds than we did a year ago, mainly questions about where interest rates will go and the direction of the overall economy, but I think we will continue to see strong demand for farmland from a variety of buyer groups. In times of economic uncertainty, investments that offer safe and reliable income streams are typically favored

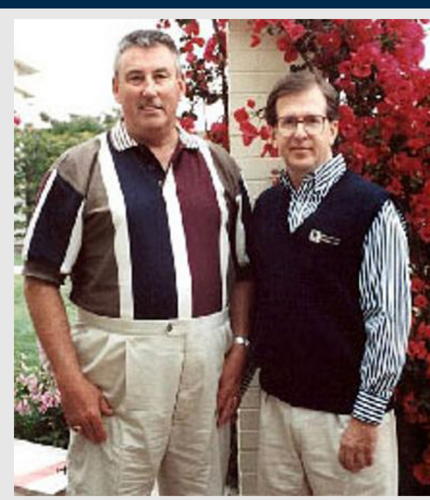
Eric Sarff, President
Murray Wise Associates LLC

Parkland Student Wins Scholarship

As our November 30 auction of 500 acres in DeKalb & Kane Counties ended with a high closing bid of $19,700 per acre in the first round of bidding, it was difficult to determine who was the happiest individual in the room: the seller, the buyer, or Patrick McGreal, a Parkland College student enrolled in the farm management class at the local community college. Patrick was competing in an appraisal competition during our November 30th auction. Patrick's appraisal of the farm was the closest at $19,500 per acre -- earning him a $1,000 scholarship from Murray Wise Associates. Congratulations to Patrick! We know your future is bright in the agriculture industry.

In Memory of Porter Martin

Porter Martin was one of the titans of our industry and I feel blessed to have been able to work alongside him and call him my friend. It is impossible to overstate his impact on my career but more importantly my life. While I will always remember the work we did together as colleagues I will forever be grateful for time spent together as friends. He will be greatly missed. Our thoughts and prayers are with his family and friends.



From the Archives

Almost 30 years ago, for the first time ever we handed our front page article over to a guest writer. That guest writer was my dear friend Porter Martin who passed away earlier this month. In honor of my friend, we are featuring his guest article as our "Past Thoughts" in this edition.

In the article Porter discusses "Seven Reasons Farmland Beats Paper." The article would be quite different if written today I am sure, but I doubt the title would have changed, but the reasons may have. - Murray

"PAST THOUGHTS"

Investors:

Seven Reasons Farmland Beats Paper

By Porter J Martin

January 1994

Porter J Martin, AFLM, is a world recognized farm broker and consultant. Through his office in Dekalb, Illinois, Porter counts as clients influential agriculturalists all around the world. We are pleased to have him as our first ever guest writer for our lead article.

We work with a rising number of investors who are not looking to make money fast. They're looking to keep what they've already made. And in today's environment, losing can happen fast!

As examples, I'd point out that we've just passed the anniversary of the Crash of '87. You remember. The Dow plunged 40% in a couple days. I could also mention the enormous number of corporate bonds used to finance leveraged buyouts in the 80's… many of which or worth 60 cents on the dollar today. Some experts suggest the best combination of safety and return may be long term Treasury bonds. Safety, for sure. But, if interest rates jump up unexpectedly, bond values will plummet.

The point is, there is no single class of investment which is always the "best and safest." John Templeton, who built the world-famous Templeton funds, stressed that the safest investment portfolio was built on basic value and diversity. We believe it. And we also believe investors can find such qualities by including American farmland in their long-term investment programs. Here are seven reasons why investors with heavy investments in stocks and bonds should take advantage of the inherent value of farmland and the current market situation to diversify their portfolios.

1. Farmland Values Have Deflated

One of Templeton's basic strategies is to invest in industries whose prices have corrected to (or below) basic value relative to long term earnings potential. In the 70's speculative pressure drove Midwest farmland values up by almost 400%. But, in the early 80's farmers watched as the land they financed at $2,500 an acre dropped to less than $1,000! Now, in the early 90's, prime Midwest farmland is valued at levels which yield a net current cash return of 5% to 7%... in line with farmland's historic earnings rate.

2. Growth Since Deflation a Sign of Solid Market

Since the low value point of the correction of the mid-80's farmland has recovered 50%. Surpassing a 50% recovery is a powerful technical signal of a solid market. At the low point, we saw dis-equilibrium of farmland relative to other assets and a few daring buyers acquired farmland for and reaped the harvest of the subsequent appreciation. Even today, the typical farmland buyer only finances about 50% of the purchase price. This means land is increasingly held by owners of substantial financial means. A $2,500/acre farm, 50% financed at 7% can generate positive cash flow when rented for cash or on shares.

3. Land's Wealth Preserving Characteristics

BCA Publications Ltd. Of Montreal is an independent forecasting firm which anticipates that "The bull markets in equities and bonds have further to run. However, the asset inflation is entering a more speculative and dangerous phase." Reasons for this concern include the low dividend yield on the S&P index and resultant high Price/Earnings ratio; rising stock market debt, record net mutual funds investment indicating small investors are rushing into stocks; anticipation in the market for even higher earnings performance without evidence of its likelihood; and so on. Sounds something like the speculative frenzy in farmland in '79 and '80.

Continued on Pg. 4 (Past Thoughts)

Meanwhile, farmland has been ignored by all but a few "contrarians." They've acquired prime parcels of farmland which will provide a solid footing when the next "massacre" hits Wall Street.

4. We See Signs of Commodity Price Rebound

Since 1981 we have seen a deflationary slide in global commodity prices. However, there are recent, subtle, and largely unnoticed signs of a rebound. The Commodity Research Bureau's index of agricultural and industrial commodities has punched above a five year down trend line and is expected to show continued strength in the coming months. Prudent investors will consider the downside risk in holding stocks versus "hard" assets such farmland which produces basic food and fiber. Would you rather buy near a ten-year high (stocks) or a ten year low (commodity-related assets)?

5. Increased Agricultural Market Share

Exports of value-added farm products, particularly meats, rose by 335% in the period 1985 to 1990 and the trend remains intact. The passage of NAFTA will further level the playing field in the Americas providing further boost to agricultural exports. In addition, the world's population is expected to grow by 3.5 billion in the next forty years with most of the growth coming in "developing" countries like Mexico. In such countries a large share of improved incomes is spent on improving diet . . . and that will mean more exports from America, the world's most efficient producer of food.

6. Farmland is Real . . . Not Paper

The most spectacular profits of the decade to this point have come from moving money around rather than from producing something tangible. We see more merger and leveraged buyout activity daily as the lessons of the past seem to fade. Bank failures and the savings and loan debacle, made worse for their investment in junk bonds and speculative loans, are already forgotten. But the point remains that many paper investment remain vulnerable to poor judgement, mismanagement, and outright fraud although they're packaged well. Uninsured money market funds, urban real estate investment trusts, commercial paper and an array of financial derivatives promise high earnings to people weary of the low return on insured CDs or other assets.

In contract, "A farm is something I can walk on," says retiree John Northwall of Omaha upon buying his third farm. "I know the land is in my name at the courthouse. I can have the satisfaction of leaving it . . . in more productive condition than it was when I bought it."

7. The Farmland Bonus

As Mr. Northwall says, farmland is a tangible asset . . . but one which offers the right person a most valuable intangible return. Ownership of farmland provides a sense of roots to some people. To others the peace and beauty of the rural countryside is an attraction . . . the smell of freshly cut alfalfa . . . a connection with living things, with life itself. It can be uplifting.

Sociologist Jack Lessinger projects that towns of 50,000 people in counties now considered rural will lead the nation in population growth over the coming decades. The rural heartland has preserved more of what people want for their lives: Safety, community, good education . . . and a healthy place to raise children.

Throughout America's growth the past 200 years, it has been the non-farm demand for rural land which ultimately lifts its capital beyond that 5% to 7% "cap rate" for farm production alone.

Inflation Reduction Act Includes Programs for Farmers

The Inflation Reduction Act was signed into law on August 16th of this year and included in it is billions in funding for programs that will affect farmers. These can be broken down into two categories: financial assistance and conservation.

Financial Assistance:

Section 22006 of the Inflation Reduction Act provides $3.1 billion for USDA to provide relief for distressed borrowers with certain Farm Service Agency (FSA) direct and guaranteed loans and to expedite assistance for those whose agricultural operations are at financial risk. USDA has allocated up to $1.3 billion for initial steps to help distressed borrowers, which are underway now. This includes both automatic and case-by-case assistance, which USDA announced on October 18, 2022. Meanwhile, Section 22007 of the Inflation Reduction Act provides $2.2 billion in financial assistance for farmers who have experienced discrimination in USDA's farm lending programs.

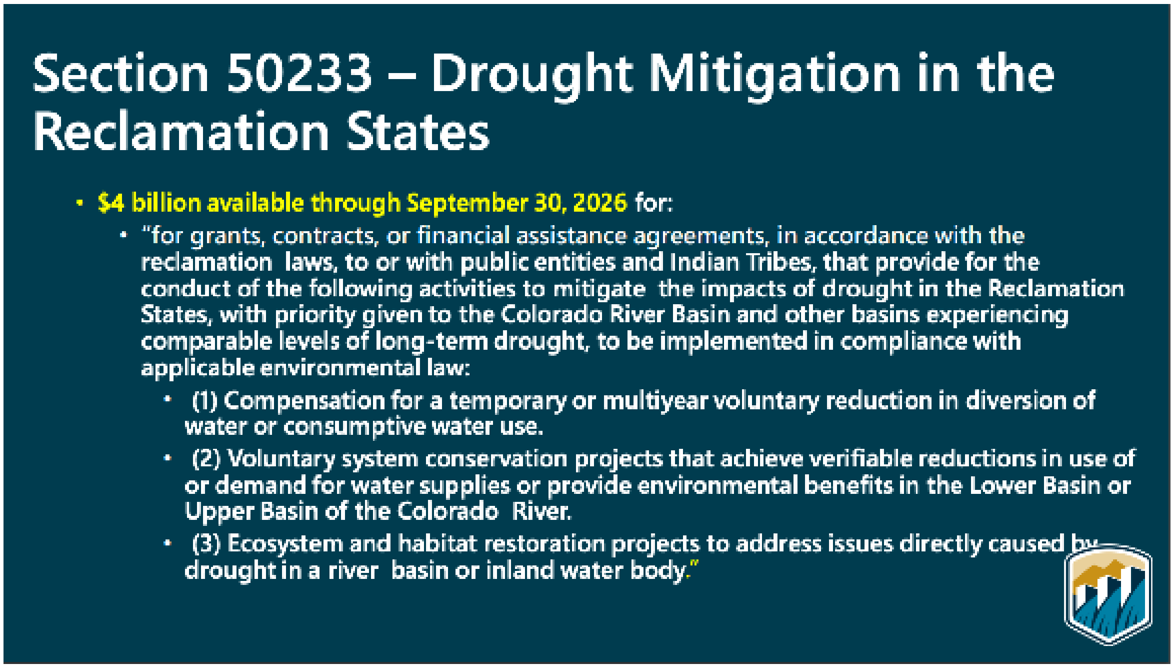
Conservation:

Approximately $20 billion of Inflation Reduction Act funds will support USDA's conservation programs within the Natural Resources Conservation Service. This includes:

- $8.45 billion for the Environmental Quality Incentives Program
- $4.95 billion for the Regional Conservation Partnership Program
- $3.25 billion for the Conservation Stewardship Program
- $1.4 billion for the Agricultural Conservation Easement Program
- $1 billion for the Conservation Technical Assistance Program

These are oversubscribed programs that are well known to farmers and ranchers. This additional investment is meant to help farmers and ranchers implement expanded conservation practices that reduce greenhouse gas emissions and increase storage of carbon in their soil and trees.

The Inflation Reduction Act also allocates $4 billion over the next four years for drought reduction via bureau of reclamation domestic water supply projects. In these projects, priority is given to the Colorado River Basin where funding will likely go to voluntary following programs that will pay farmers to fallow their fields saving water and reducing the burden on Lake Mead and the basin as a whole which has been greatly affected by drought in recent years. A portion of these funds will go to ecosystem and habitat restoration projects to address issues directly caused by drought in a river basin or inland water body.



Source: USBR

THE WISE AG UPDATE

Current Listings | Upcoming Auctions | Recent Transactions

Upcoming Auctions

Henry Co., IL - 47± Ac - December 20th 10 AM CST
Grundy Co., IL - 78± Ac - December 20th 1 PM CST
DeSoto Co., FL - 2,200± Ac - March 11th 10AM EST

Current Listings

Bremer Co., IA - 81± Acres - Call for More Information

Recent Transactions

Audrain & Callaway Co., MO - 238± Ac - $2,975,000 ($12,500/Acre)
Jackson Co., IL - 449± Ac - $1,876,761 ($4,175/Ac)
Lee Co., IL - 115± Ac - $865,393 ($7,573/Ac)

Recent Transactions (*Cont*)

DeKalb & Kane Co., IL - 500± Ac - $8,000,220 ($16,014/Ac)
Coles Co., IL - 509± Ac - $8,305,000 ($16,316/Ac)
Wright Co., IA -122± Ac - $770,000 (6,311/Ac)
Greene Co., IA -160± Ac - $2,360,000 (14,750/Ac)
Wright Co., IA -232± Ac - $2,500,000 (10,776/Ac)
Ohio AgPro Dealerships - $17,260,000
Cumberland Co., NJ - 1,045± Acres - Pending
Osceola Co., IA -78± Ac - Pending
Wright Co., IA -161± Ac - Pending

Visit MurrayWiseAssociates.com or call (800) 607-6888 for details on any property.

Large Florida Peace River Preserve Going to Auction

The Peace River Preserve located in DeSoto County, Florida will be offered via auction by Murray Wise Associates LLC and Crosby & Associates on March 11, 2023. The property spans approximately 2,200 acres and is currently used for recreational activities. Located directly on the Peace River, this property hosts a habitat suitable for a number of game animals and can be used for both hunting and fishing. Owning a piece of this property would allow for a great addition to an investment portfolio and opportunity for income via recreational hunting leases. For more information on the Peace River Preserve please contact Murray Wise Associates LLC.

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